

# Budgetary Pie Charts

*Financial Data*

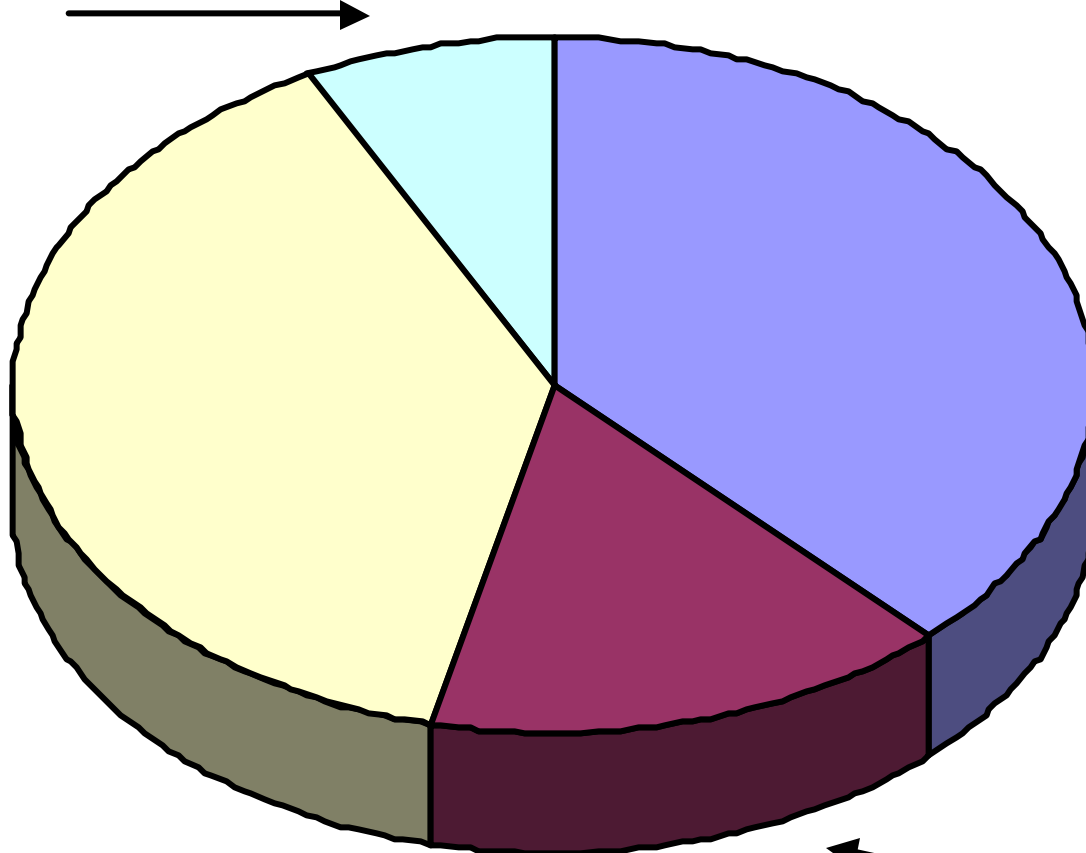
# Total Means of Finance FY04 — \$16.8 b.

**Self-Generated**  
7%  
\$1,248 m.

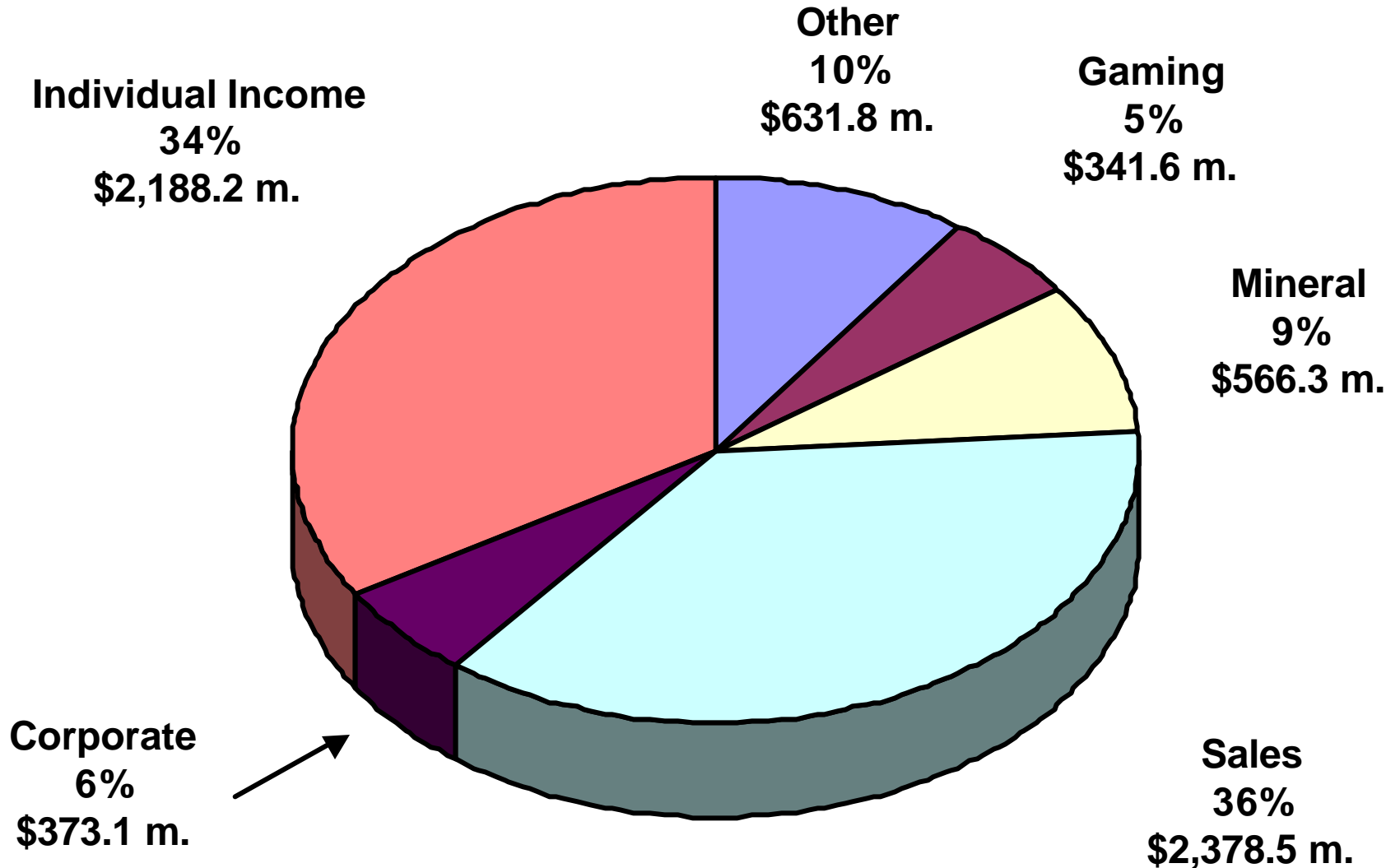
**Federal**  
38%  
\$6,372 m.

**General Fund**  
39%  
\$6,537 m.

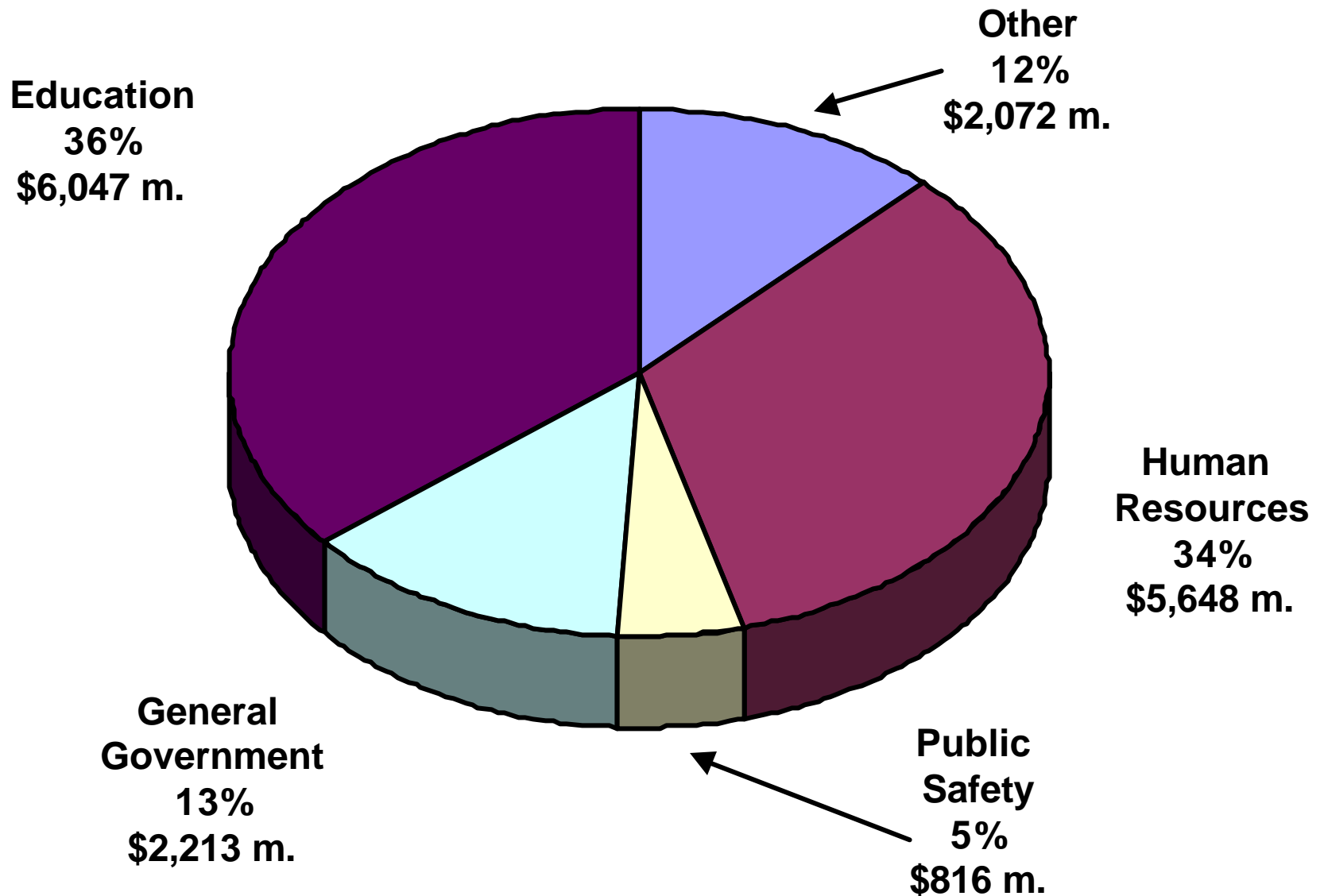
**Statutory  
Dedications**  
16%  
\$2,649 m.



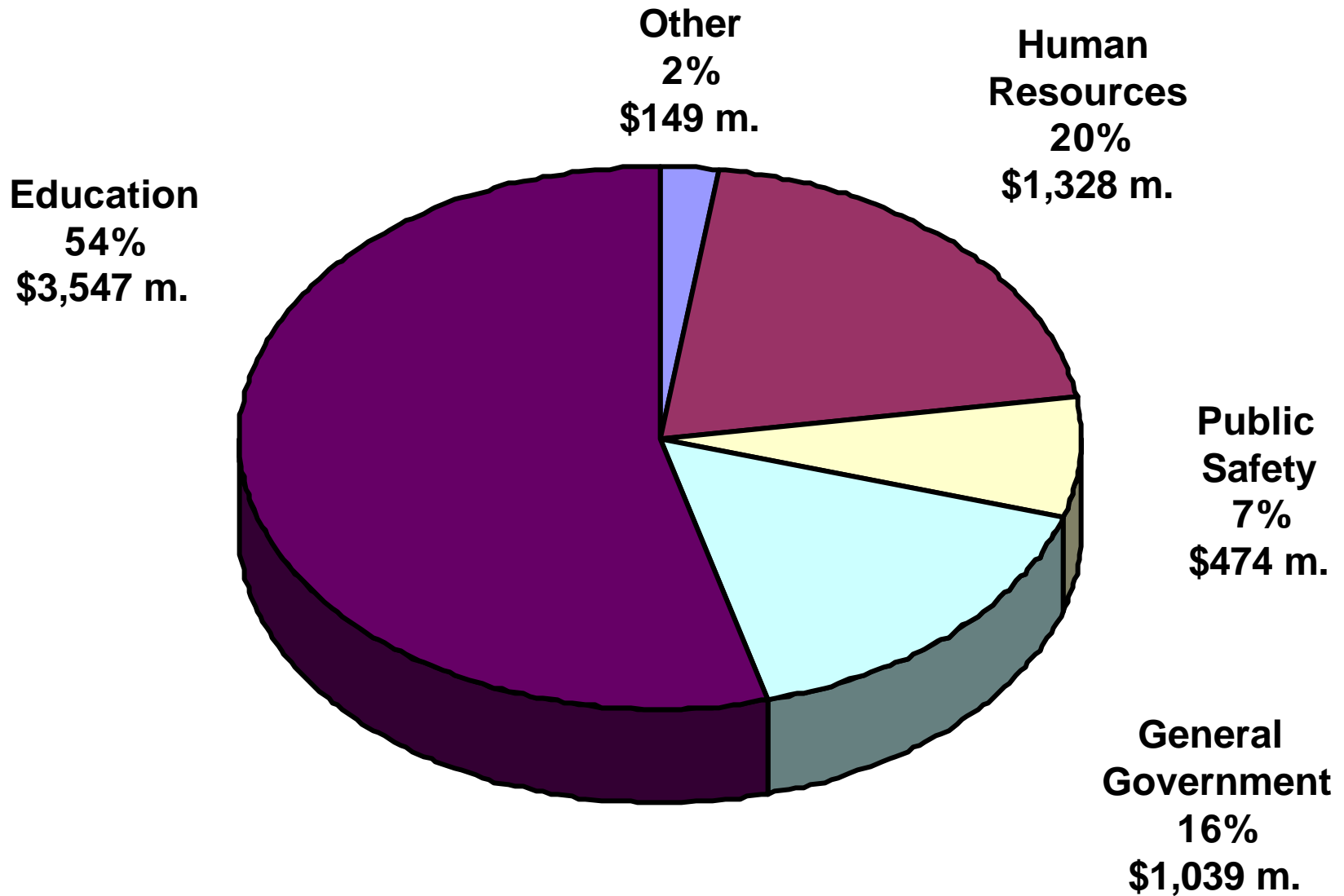
# General Fund Revenue FY04 — \$6.48 b.



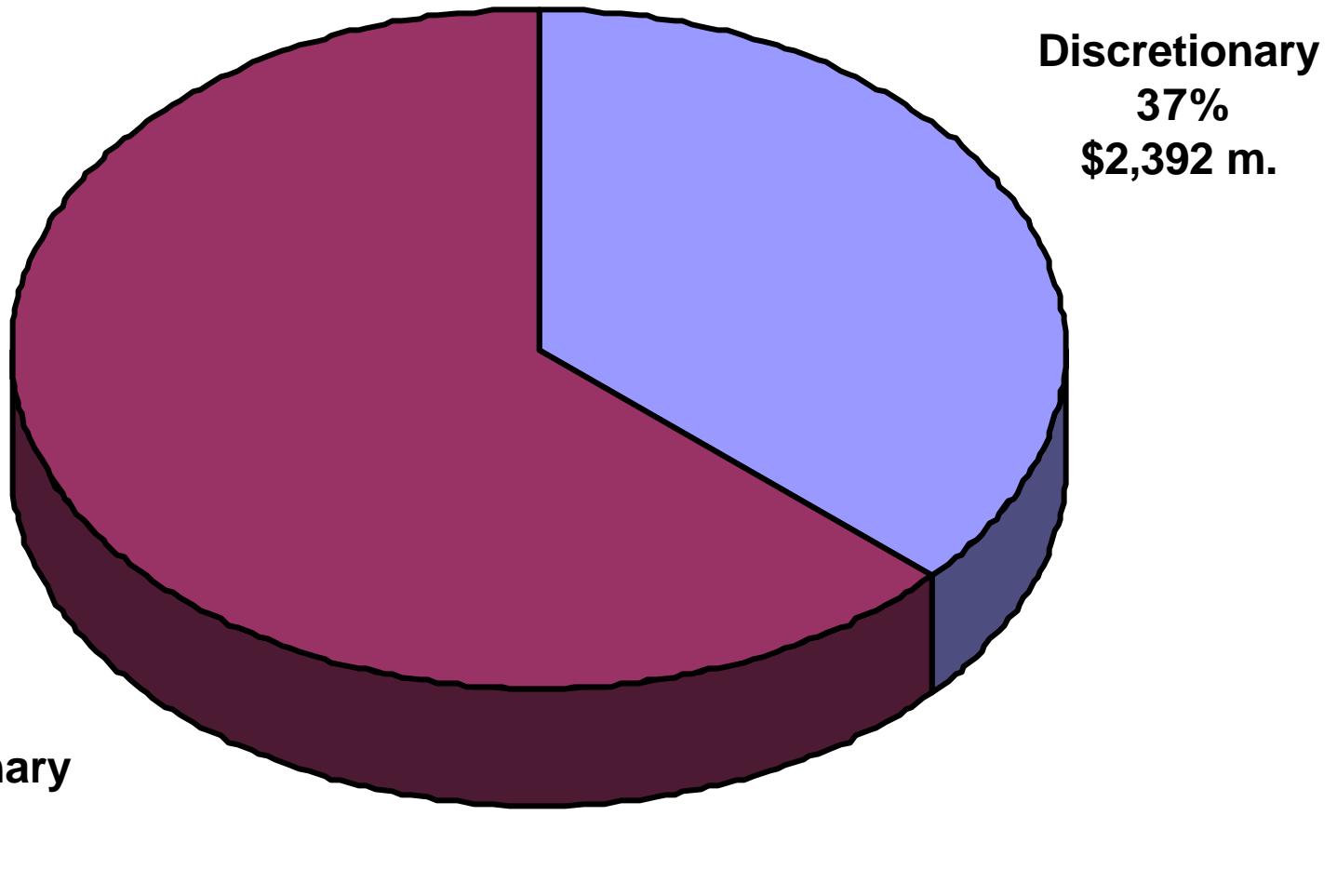
# Total Expenditures FY04 — \$16.8 b.



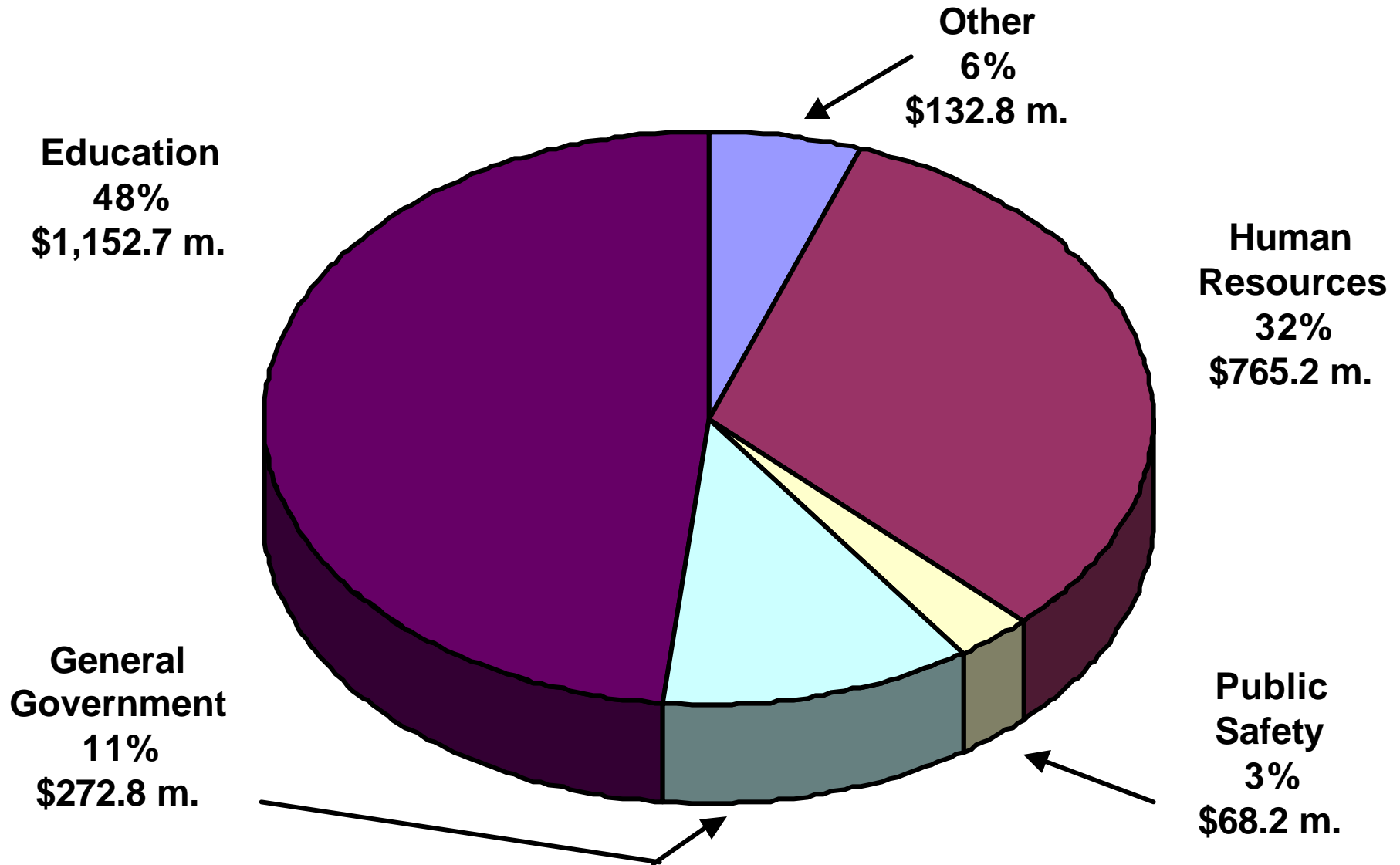
# General Fund Expenditures FY04 — \$6.54 b.



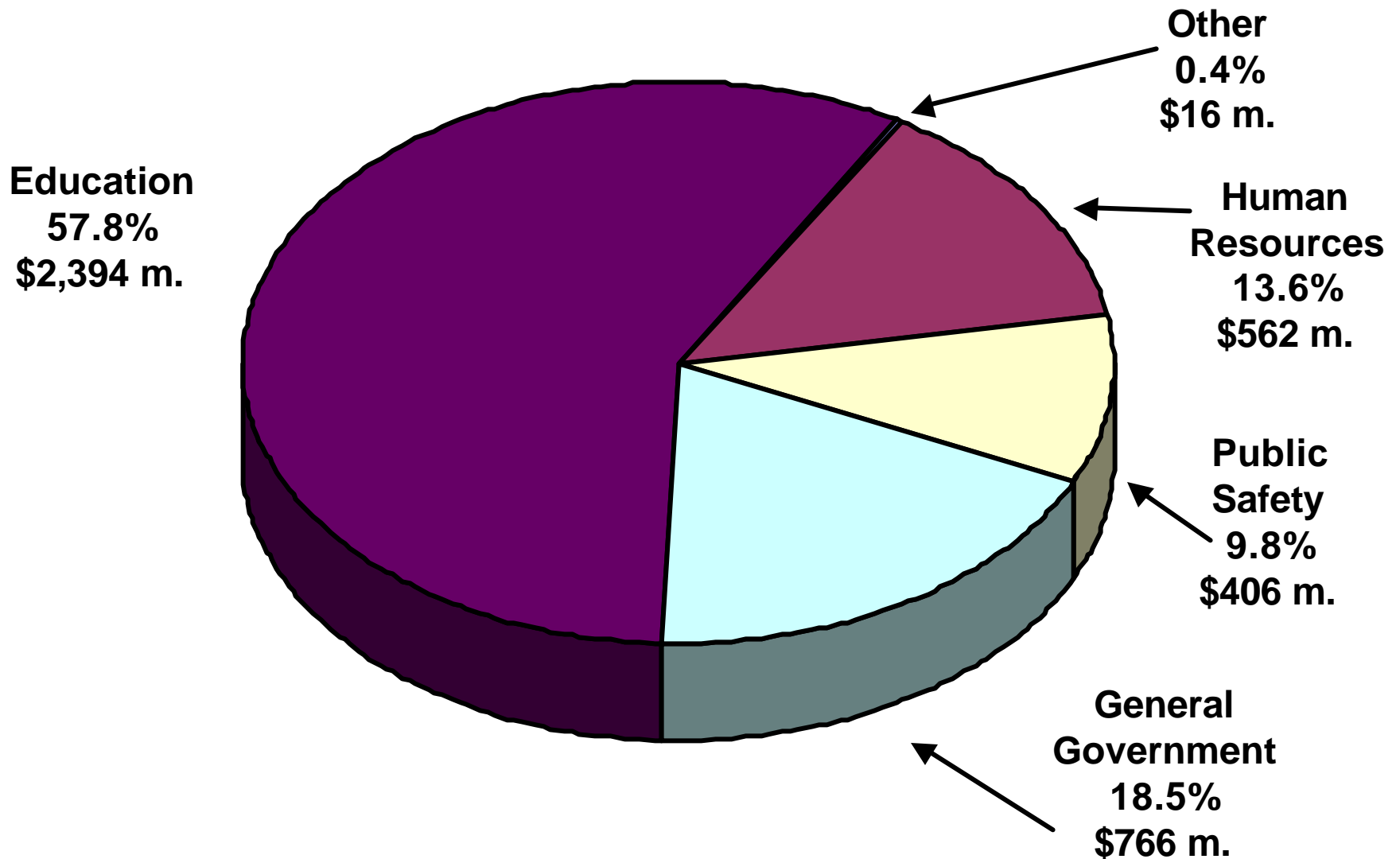
# **Discretionary/Non-Discretionary General Fund Expenditures FY04 — \$16.8 b.**



# Discretionary General Fund Expenditures By Spending Category FY04



# Non-Discretionary General Fund Expenditures By Spending Category FY04





# Major Fiscal Issues

*Challenges for FY05*

# Five-Year Baseline Budget Projections

- The five-year baseline budget projections include the prior year, current year, and next three years.
- The purpose of the five-year budget is to project the fiscal status in the out years.
- The next three years show a shortfall.
- For FY05, the projected shortfall is \$526.7 m. For FY06, the projected shortfall is \$695.5 m., and for FY07, the projected shortfall is \$717.3 m. These numbers include the loss of sales tax on business items and utilities, \$160 m.

# **Increase in the Cap on Federal Financial Participation in Disproportionate Share Payments**

- The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 contained a provision increasing the cap on federal funding of Medicaid Disproportionate Share (DSH) payments to hospitals by sixteen (16) percent.
- For Louisiana, the federal DSH allotment will increase by \$101 million to \$732 million in Federal Fiscal Year 2004.
- If Louisiana can generate the roughly \$40 million in required state matching funds, then the additional \$101 million may be utilized to reimburse hospitals for health care services for the uninsured.

# Educational Funding Needs

- The cost of bringing Louisiana K-12 teachers' salaries up to the Southern average is approximately \$262 million.
- The cost of bringing higher education funding to the Southern average is approximately \$250 million, which includes about \$54 million to bring instructional faculty pay to the Southern average.
- Combined, these costs total about \$512 million, and even though other states are temporarily suffering budget conditions that are similar if not worse than Louisiana's, their economies are likely to recover faster than ours.
- As their economies recover, they will begin reinvesting in K-12 and higher education, and Louisiana's cost of reaching "average" funding will for these programs will increase.

# Minimum Foundation Program (MFP)

- The Minimum Foundation Program (MFP) will require an additional \$71 m. to cover normal growth for FY05.
- The MFP typically grows by an amount in excess of \$50 m. per year.
- It is one of the many reasons why it costs more each year to provide the same level of government services offered in the prior year.

# Risk Management Reserves

- Reserves in the state's self-insurance fund have been gradually depleted because of the underfunding of premiums.
- The current reserve balance is approximately \$4 million while the actuarial valuation of outstanding claims approaches \$1 billion.
- Recent district court and appellate court decisions in favor of oyster fishermen who suffered "economic loss" as a result of state sponsored freshwater diversion projects have increased outstanding claims by over \$2 billion.
- Even though some of the claims may never materialize, and the size of these judgments may eventually be reduced, any amount will be detrimental to the state's under-funded risk management program.

# Potential Federal Liabilities

- The federal government contends the state owes it approximately \$322 million for violations of federal regulations in the state Medicaid Program for the operation of the Eldercare Program, and an estimated \$240 million for the improper billing of DOTD risk management premiums to other federally funded programs.
- There is also another \$211 million in potential liabilities for DSH overpayments in the Medical Vendor Payments Program.
- The likelihood that the state will ever repay all of these liabilities is remote. Nevertheless, with an aggregate value of \$773 million, even a small percentage recovery by the federal government could wreck the budget.

# Rising Transportation Costs

- Revenue generated by the gasoline and special fuels taxes grows at a rate of approximately 1% per year while the cost of highway construction and maintenance increases at an annual rate of 4.5%.
- According to the state Department of Transportation and Development, the state is currently \$9 billion behind in highway construction and maintenance, and the gap widens annually.



# State Employee Health Insurance

- The cost of providing health care insurance for state employees, teachers, and retirees is growing at an annual rate of between 13% and 15%.
- The cost of maintaining current benefits grows three to five times faster than general fund revenues.
- As the base cost of this employee benefit increases, the high percent annual growth will accelerate the rate at which this program consumes discretionary revenue.

# SEGBP Potential Deficit

- A total of \$934 m. has been appropriated in FY04 for operation of the state's group health and life insurance program.
- The most recent projections by the Office of Group Benefits indicate that revenues will be approximately \$864 m. to \$876 m., resulting in a potential shortfall of nearly \$70 m.
- While the upward limit of the shortfall is around \$70 m., the accrued deficit problem could be reduced to a total of \$15 m.

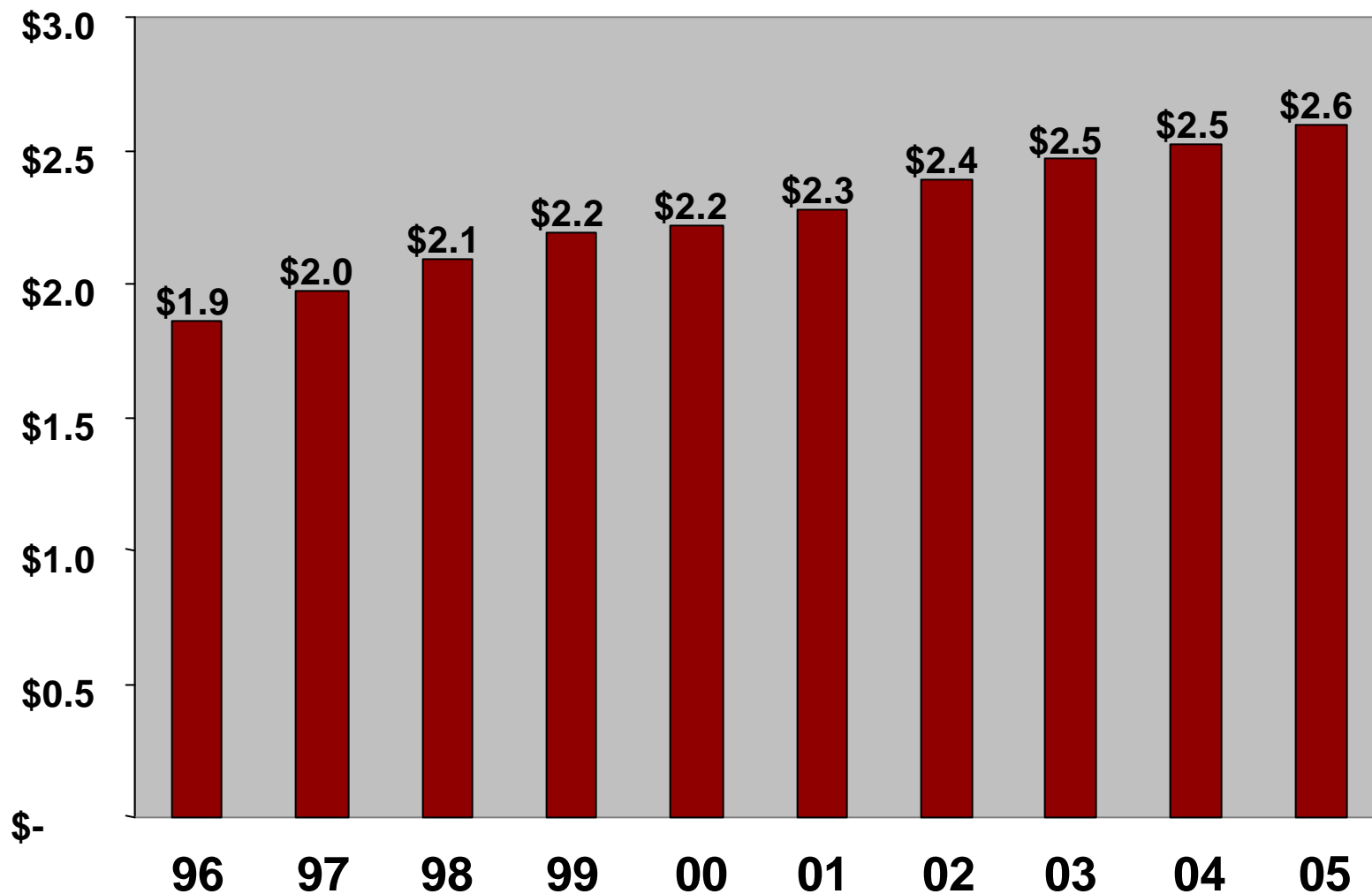
# Retirement Systems

- The employee experience account (used to fund cost of living increases for retired state employees and teachers) is running a deficit of \$1.72 billion because of poor investment returns.
- Additionally, the cost of funding the accrued unfunded liability of the State Employees, Teachers, and State Police retirement systems (a constitutional requirement) will increase by nearly \$113 million because of lower-than-actuarially- required investment returns.
- This situation will get worse before it gets better because of the 5-year averaging method used to amortize the retirement systems' gains and losses.

# The Minimum Foundation Program

*FY05 Budget Issues*

# MFP Expenditures (in billion \$)

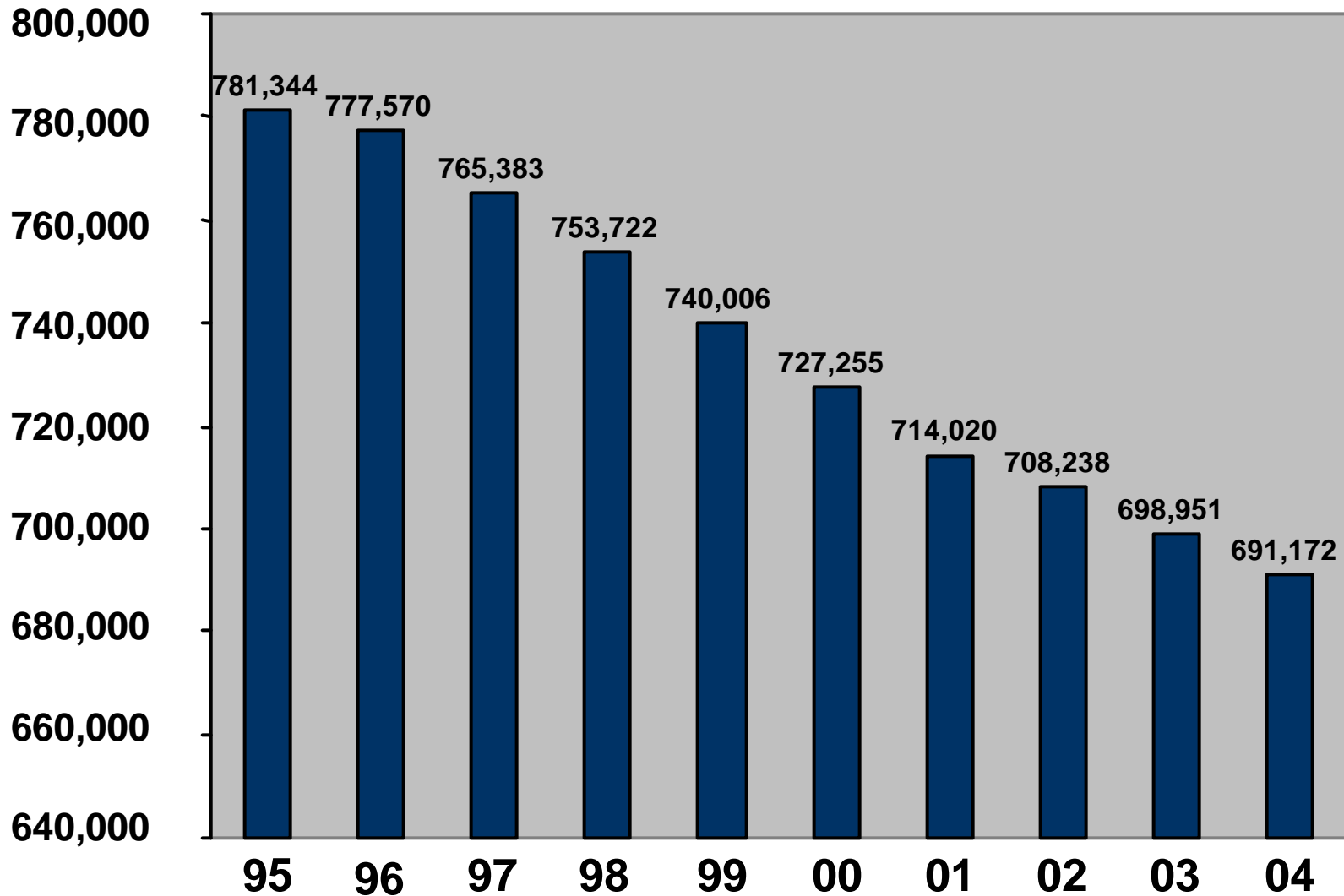


# MFP Expenditures

- The Department of Education is requesting nearly \$2.6 b. for the MFP in FY05.
- This represents a 39% growth over the last decade.
- In FY05, the MFP will require an additional \$71.2 m. in State General Fund, due mainly to a “growth factor” determined by BESE.
- Further, the MFP will require another \$142.6 m. in State General Fund in FY05, due to the loss of one-time federal funds.
- Total State General Fund needed for FY05 is \$213.7 m.

# Student Enrollment

October 1 Membership



# Student Enrollment

- The Education Estimating Conference is forecasting a statewide public school enrollment of 691,000 in FY05.
- This represents a 12% decline over the last decade.

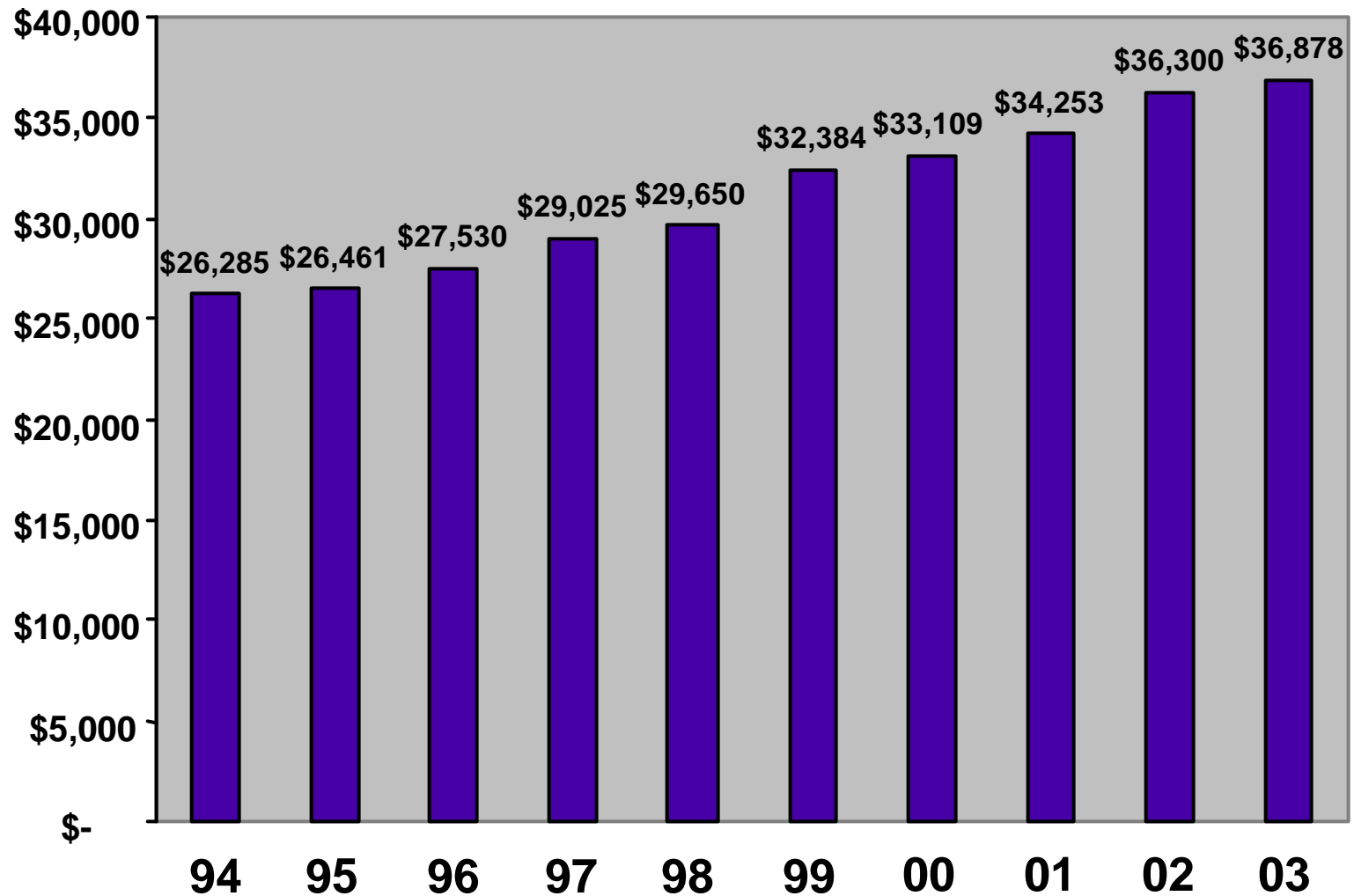


# Student Enrollment

**Why does the cost of the MFP keep rising while the student membership is declining?**

- The MFP's automatic "growth factor" as determined by BESE contributes greatly to higher costs, often outpacing inflation.
- Local school districts have raised their local taxes to support their schools in recent years, thus driving up the MFP's state share of education costs.
- More students have been assessed as having special needs, such as special education or placement in gifted and talented programs. Such students are more expensive to educate, thus driving up the overall cost of the MFP.
- Teacher pay raises and school support worker pay raises have been provided through the MFP in recent years, accounting for over two-thirds of the increase in the MFP.

# Average Salary for La. Teachers



# Teacher Salaries

- Louisiana has increased pay for public school teachers faster than every Southern state except North Carolina in recent years, contributing to the growth of the MFP.
- Over the last decade, teacher pay has risen 40% in Louisiana.
- Currently, Louisiana's average teacher salary of \$36,878 trails the Southern average of \$40,771. It would take \$262.3 m. for Louisiana to reach the regional average, and \$602.7 m. to reach the national average of \$45,822.
- The MFP resolution requires that 50% of school districts' increased funds — after accounting for enrollment growth — must go toward pay raises. This equates to about a \$350 increase for the current year, or about 1%.

# Projects in Louisiana 1<sup>st</sup> Senatorial District (St. Tammany) January 2004

Project Number	Project Description	Proposed Improvement	Construction Cost	Funding Source
006-08-0031	US 90 (East Pearl River Bridge)	Bridge Replacement	\$ 10,000,000	FBR_On
013-12-0031	US 190 (US 11 to LA 433)	Widen to 4 Lanes	\$ 20,379,000	STPFLEX
013-13B	US 190( (US 190B @ Military Rd.)	Add Bike Lanes	\$ 200,000	STP<200K
013-13-0030	US 190B (Bridges near Slidell)	Bridge Replacement	\$ 1,080,000	FBR_On
018-03-0024	US 11 @ Hall St to Gause Blvd	Cont. Center Turn Lane	\$ 250,000	STPHAZ
018-04-0041	US 11 @ Gause Blvd to Lafayette St.	Cont. Center Turn Lane	\$ 100,000	STPHAZ
018-04-0042	US 11 (Brownswitch to Industrial Park)	Minor Widen and Overlay	\$ 750,000	NHS/ DEMO
018-30-0021	LA 433 (Raise Grade at LA 433@ Salt Bayou Rd)	Raise Grade	\$ 375,000	State
058-01-0024	LA 41 (US 11 to LA 36)	Patching, Sealing, Jacking	\$ 2,038,000	STPFLEX
281-04-0021	LA 435 Bridges	Bridge Replacement	\$ 2,227,000	FBR_On
450-18-0085	I-10 (Fremaux Interchange)	Clearing & Grubbing (ROW, UTIL	\$ 9,491,000	NHS
450-18-0050	I-10 (Fremaux Interchange)	New Interchange	\$ 14,784,000	NHS
450-18-0088	I-10 (Twin Span - Jct I-12/ I-59)	Rubbleize and Overlay	\$ 20,000,000	IM
453-01A	I-59 Signing (LA 41 to Miss State Line)	Interstate Signing	\$ 720,000	IM
454-04-0053	I-12 (LA 434 to I-10)	Overlay	\$ 6,001,000	IM
454-04-0060	Brownswitch Road (LA 31.68 - LA 1091)	Overlay and 3 Lane	\$ 1,000,000	STP<200K
700-52-0148	Southwest Frontage Road Study	Study for New Roadway	\$ 84,000	STP<200K
742-52D	Southwest Frontage Road Extension	New Roadway	\$ 4,000,000	STP<200K
852-33-0003	LA 3241 (LA 36 to LA 435)	New Four Lane Highway	\$ 37,050,000	TIMED
			<b>\$ 130,529,000</b>	

```
graph TD; EDC(Economic Development) --- DISA(Defense Information Systems Agency); EDC --- SSC(Stennis Space Center); EDC --- SMH(Slidell Memorial Hospital); EDC --- NHC(Northshore Harbor Center); EDC --- UTP(UNO Technology Park);
```

Defense Information  
Systems Agency

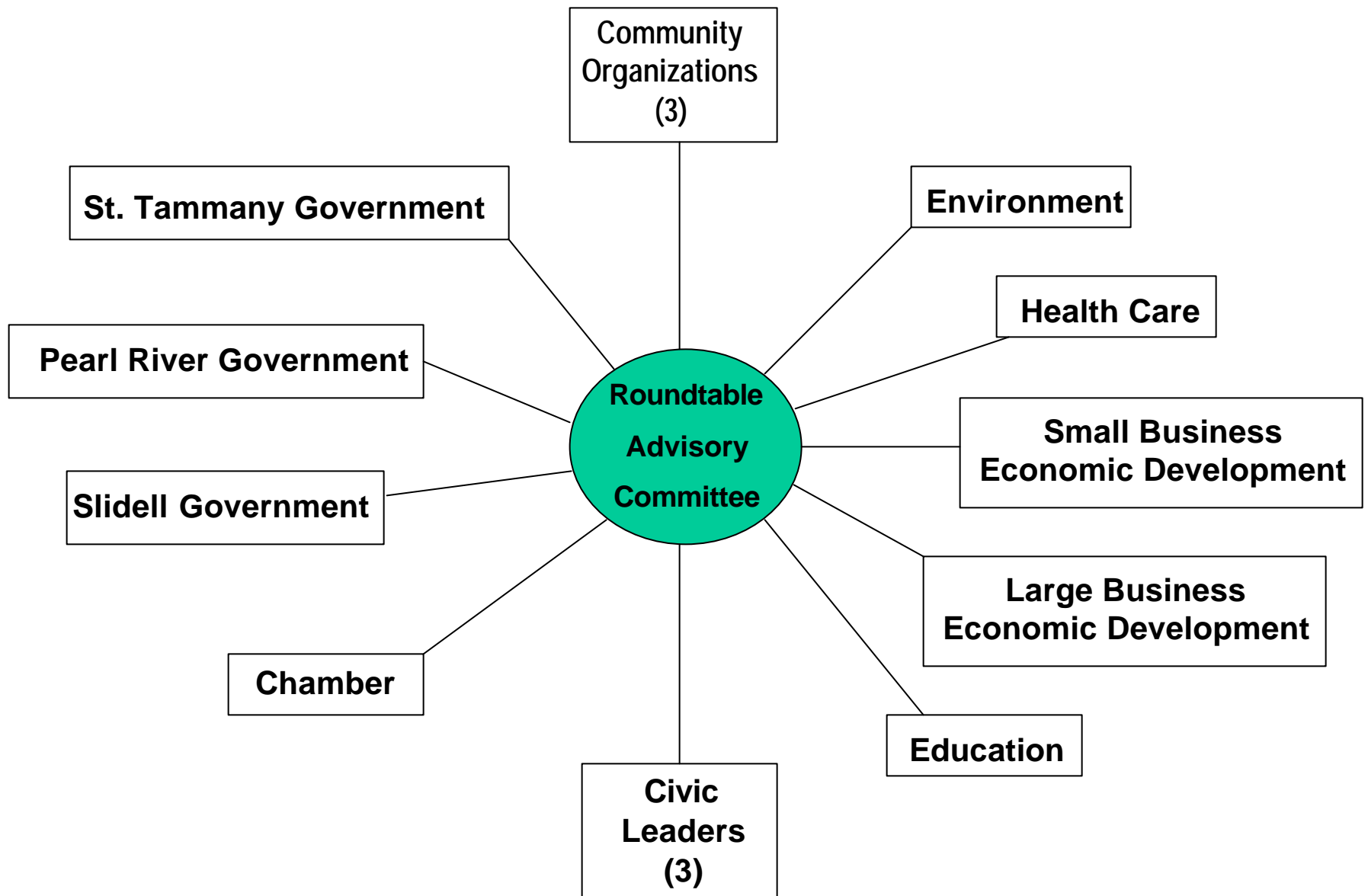
UNO Technology  
Park

Stennis Space Center

Economic  
Development

Northshore Harbor  
Center

Slidell Memorial  
Hospital



# Concurrent Priorities

- Gather all information on what's pending in St. Tammany
- Assembling Roundtable
- Opening of St. Tammany Office
- Northshore Legislative Alliance

1-888-W-BOASSO (1-888-926-2776)